

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Greenup County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$6,520 from the prior year, resulting in excess fees of \$7,984 as of December 31, 2005. Revenues increased by \$2,230 from the prior year and expenditures decreased by \$4,290.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Advertise For Bids When Required By KRS 424.260

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Greenup County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 17, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Advertise For Bids When Required By KRS 424.260

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Greenup County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 17, 2006

GREENUP COUNTY
KEITH COOPER, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	29,984
State - Kentucky Law Enforcement Foundation Program Fund			40,456
State Fees For Services:			
Finance and Administration Cabinet	\$	86,796	
Administrative Office of The Courts		<u>36,293</u>	123,089
Circuit Court Clerk - Court Ordered Payments			10,203
County Clerk - Delinquent Taxes			5,527
Commission On Taxes Collected			420,258
Other Fees On Taxes Collected:			
Sheriff's Collection Fee			66,490
Fees Collected For Services:			
Auto Inspections		10,235	
Accident and Police Reports		810	
Serving Papers		21,155	
Carrying Concealed Deadly Weapon Permits		<u>13,695</u>	45,895
Other:			
Miscellaneous		6,437	
Fireworks		90	
Conveyance of Prisoners		<u>5,170</u>	11,697
Interest Earned			4,693
Borrowed Money:			
State Advancement		248,027	
Bank Note		<u>40,000</u>	288,027
Total Revenues			<u>1,046,319</u>

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 KEITH COOPER, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	305,041
Other Salaries		40,555
Overtime Gross Salaries		24,252
KLEFPF		34,220

Employee Benefits-

Employer's Share Social Security		37,283
Employer Paid Health Insurance		24,452

Contracted Services-

Advertising		1,307
Fiscal Court Fees		10,700

Materials and Supplies-

Office Materials and Supplies		14,248
Uniforms		16,765
Computer		4,500
Radio		7,520

Auto Expense-

Gasoline		36,575
Maintenance and Repairs		15,403

Other Charges-

Conventions and Travel		18,759
Telephone		4,983
Postage		1,415
Carrying Concealed Deadly Weapon Permits		9,610
Bond		3,274
Bank Charges		211
Expense Reimbursement		4,375
Professional Fees		18,750
Contract Labor		6,468

Capital Outlay-

Vehicles		<u>29,562</u>	\$	670,228
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 KEITH COOPER, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Debt Service:

State Advancement	\$	248,027	
Notes		40,000	
Interest		234	\$ 288,261

Total Expenditures			958,489
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Net Revenues			87,830
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Less: Statutory Maximum			76,652
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Excess Fees			11,178
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Less: Training Incentive Benefit			3,194
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Excess Fees Due County for 2005			7,984
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Payment to Fiscal Court - February 28, 2006			7,961
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Balance Due Fiscal Court at Completion of Audit*			\$ 23
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*Note: The Sheriff presented a check to the County Treasurer for the balance due Fiscal Court on July 17, 2006.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Accounts

The Greenup County Sheriff maintains a K-9 account, which is used for operations involving drug enforcement dogs. The balance as of December 31, 2004, was \$76. Total disbursements for 2005 were \$76 leaving a balance of \$0 in the account as of December 31, 2005.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 4. Special Accounts (Continued)

The Greenup County Sheriff maintains a Special Enforcement account, which is used for drug enforcement. Total receipts for 2005 were \$429 and total disbursements were \$454. The balance of the account as of December 31, 2005 was \$3,123.

Note 5. Grants - Governor's Highway Safety Program

The Governor's Highway Safety Program is a federally funded program passed through the Commonwealth of Kentucky, Kentucky State Police. The purpose of the program is to make drivers more safety conscious while driving on the roadways. During 2005, the Sheriff received and expended \$29,984 of grant funds.

COMMENTS AND RECOMMENDATIONS

GREENUP COUNTY
KEITH COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Advertise For Bids When Required By KRS 424.260

The Sheriff did not properly advertise for bids for expenditures exceeding \$20,000. During the year the Sheriff purchased a vehicle costing over \$20,000. KRS 424.260 requires the Sheriff to advertise for bids involving an expenditure of more than \$20,000. We recommend the Sheriff refer to KRS 424.260 before making expenditures exceeding \$20,000.

Sheriff's Response:

I have bid all expenditures since this.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our audit we noted the Sheriff's internal control structure lacked an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. In our judgment, this condition could have adversely affected the Sheriff's ability to record, process, summarize, and report accurate financial information. We recommend the Sheriff's Office implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- a. Cash recounted and deposited by the Sheriff
- b. Reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- c. All disbursement checks signed by the two people with one being the Sheriff
- d. All disbursements checks prepared by an employee examined by the Sheriff for proper documentation
- e. The Sheriff mail disbursements
- f. The Sheriff prepare or review bank reconciliations

Sheriff's Response:

The Sheriff is working on procedures and already has some in place to avoid problems in the future.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

GREENUP COUNTY
KEITH COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2005
(Continued)

PRIOR YEAR:

- The Sheriff Should Prepare An Accurate Financial Report
- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Advertise For Bids When Required By KRS 424.260

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Greenup County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated July 17, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Advertise For Bids When Required By KRS 424.260

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 17, 2006

